



# Kaw Valley State Bank & Trust Co.

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March 11, 2004

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

**Re: R-1176: Availability of Funds and Collection of Checks**

Dear Ms. Johnson:

Thank you for the opportunity to offer comments on the proposal to amend Regulation CC. This comment letter focuses on the proposed change to the treatment of **remotely-created demand drafts**.

I would strongly and respectfully urge the Federal Reserve to enact the proposed changes to the treatment of remotely-created demand drafts. As they are defined in the proposal, these remotely-created items are becoming more commonplace as a convenient means to complete a transaction. However, these drafts have also become convenient to those wishing to perpetrate fraud and so the use of these drafts has drawn suspicion.

I strongly agree that we need to set warranties defining responsibility for which party is liable in the case of an Unauthorized remotely-created demand draft. We also agree that because the depository bank is in the best position to control this type of fraud, the warranty that the draft is properly payable should rest with that party.

In order for these warranties to work effectively, they must travel across state lines. There is no time to wait for each state to enact these provisions one-by-one. We believe it is appropriate to get the revisions made now and to make them uniform throughout the banking system with the proposed amendments to Regulation CC.

In conjunction with these proposed changes to the presentment warranties, we would also respectfully request that you consider inserting a time frame in which a financial institution has to return a remotely-created demand draft. Regulation E requires the consumer to notify a financial institution of an unauthorized draft within 60 days of the

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date the periodic statement is sent or made available to the consumer. We would ask the Federal Reserve to give the financial institution the same amount of time to be able to return the draft as not being properly payable. In other words, we would request that a financial institution have 60 days from the date they send the periodic statement to the consumer to return a remotely-created demand draft for being unauthorized.

Thank you for your time and attention in this most important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed", is positioned above the printed name.

Edwin D. Martin  
President & CEO